

Message Text

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AID-05 CEA-01 CIAE-00 COME-00 FRB-01 INR-07
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AMEMBASSY WARSAW IMMEDIATE
AMEMBASSY CANBERRA IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
USMISSION GENEVA IMMEDIATE

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ALSO FOR USOECD, USEEC AND USDEL MTN

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: STEEL: QUOTAS FOR SPECIALTY STEEL RETAINED AND
REVIEW OF UNFAIR TRADE COMPLAINT TERMINATED

FOLLOWING IS TEXT OF PRESS RELEASE ISSUED BY THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS DATED JANUARY 18 ANNOUNCING THAT THE PRESIDENT HAS DECIDED TO RETAIN IMPORT QUOTAS ON SPECIALTY STEEL PRODUCTS, AND TO DISCONTINUE CONSIDERATION OF A COMPLAINT THAT JAPAN HAD UNFAIRLY BURDENED UNITED STATES COMMERCE BY DIVERTING A SUBSTANTIAL QUANTITY OF ITS STEEL EXPORTS TO THE UNITED STATES MARKET (BEGIN TEXT):

PRESIDENT CARTER HAS DECIDED TO RETAIN IMPORT QUOTAS ON SPECIALTY STEEL PRODUCTS AT CURRENT ANNUAL LEVELS, AMBASSADOR ROBERT S. STRAUSS, SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ANNOUNCED TODAY. IN MAKING THIS ANNOUNCEMENT AMBASSADOR STRAUSS NOTED THAT TWO SMALL ADJUSTMENTS WOULD BE MADE. TWO MINOR PRODUCTS, CHIPPER KNIFE AND RM 81 BAND SAW STEEL, WILL BE REMOVED FROM COVERAGE UNDER QUOTAS FOR ALLOY TOOL STEEL. THE PRESIDENT HAS ALSO DECIDED, AMBASSADOR STRAUSS ANNOUNCED, TO DISCONTINUE A REVIEW OF THE COMPLAINT FILED BY THE AMERICAN IRON AND STEEL INSTITUTE (AISI) UNDER SECTION

301 OF THE TRADE ACT, WHICH ALLEGED SUBSTANTIAL DIVERSION OF JAPANESE STEEL TO THE U.S. MARKET AS A RESULT OF A "VOLUNTARY" RESTRICTION ON JAPANESE STEEL EXPORTS TO THE EUROPEAN COMMUNITY (EC).

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IN 1976, PRESIDENT FORD PROCLAIMED IMPORT RELIEF FOR THE DOMESTIC SPECIALTY STEEL INDUSTRY IN THE FORM OF AN ORDERLY MARKETING AGREEMENT (OMA) WITH JAPAN, AND QUOTAS ON IMPORTS FOR ALL OTHER SUPPLIERS. THE RESTRAINTS ON U.S. SPECIALTY STEEL IMPORTS WERE FOR A THREE-YEAR PERIOD BEGINNING JUNE 14, 1976. THE QUOTAS COVERED SIX PRODUCTS: STAINLESS STEEL SHEET AND STRIP, PLATE, BAR, ROD; BEARING AND OTHER ALLOY TOOL STEEL. HOWEVER, BEARING STEEL WAS REMOVED FROM THE QUOTAS IN JUNE, 1977, AFTER THE PRESIDENT RECEIVED ADVICE FROM THE U.S. INTERNATIONAL TRADE COMMISSION (USITC) THAT THE TERMINATION OF THE ANNUAL QUOTAS ON IMPORTS OF BEARING STEEL WOULD HAVE A NEGLIGIBLE EFFECT ON U.S. PRODUCERS.

PRESIDENT CARTER DECIDED IN MAY, 1977, TO INITIATE A REVIEW OF THE IMPORT QUOTAS ON THE REMAINING FIVE SPECIALTY STEEL PRODUCTS. AMBASSADOR STRAUSS REQUESTED THAT USITC AND THE SECRETARIES OF COMMERCE AND LABOR ADVISE THE PRESIDENT ON REDUCTION OR TERMINATION OF SPECIALTY STEEL IMPORT RELIEF. HAVING RECEIVED THIS ADVICE, THE PRESIDENT DECIDED AGAINST INCREASING OR ELIMINATING THE IMPORT QUOTAS ON STAINLESS STEEL SHEET

AND STRIP, PLATE, BAR, WIRE ROD, AND ALLOY TOOL STEEL. THESE QUOTA PRODUCTS ARE NOT COVERED BY THE RECENTLY ANNOUNCED TRIGGER PRICE SYSTEM FOR STEEL IMPORTS. AMBASSADOR STRAUSS STRESSED THAT THE ADMINISTRATION IS CONCERNED ABOUT INFLATIONARY PRICE INCREASES IN THE DOMESTIC SPECIALTY STEEL INDUSTRY, AND THAT IT EXPECTS THE INDUSTRY TO BASE ITS ECONOMIC RECOVERY WHICH IS AIDED BY THE IMPORT QUOTAS, ON EXPANDED PRODUCTION, AND NOT SIMPLY ON INFLATIONARY PRICE INCREASES.

THE PRESIDENT DECIDED TO REMOVE CHIPPER KNIFE AND RM 81 BAND SAW STEEL FROM COVERAGE UNDER THE ALLOY TOOL STEEL QUOTAS FOR THE THIRD RESTRAINT YEAR (JUNE 14, 1978-JUNE 13, 1979) TO ADJUST THE ALLOY TOOL STEEL QUOTAS FOR THE UNCLASSIFIED

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STEEL QUOTAS FOR THE THIRD RESTRAINT YEAR (JUNE 14, 1978-JUNE 13, 1979) TO COMPENSATE FOR THE REMOVAL OF THESE TWO MINOR PRODUCTS. DOMESTIC CONSUMERS OF CHIPPER KNIFE AND BAND SAW STEEL HAVE HAD DIFFICULTY OBTAINING ADEQUATE SUPPLIES OF THESE TWO PRODUCTS UNDER THE QUOTAS. THE REMOVAL OF THESE TWO PRODUCTS FROM QUOTA COVERAGE WILL BE IMPLEMENTED SHORTLY, FOLLOWING COMPLETION OF TECHNICAL WORK NEEDED TO TAKE APPROPRIATE ADJUSTMENTS IN THE ALLOY TOOL STEEL QUOTAS.

THE AISI COMPLAINT ALLEGED THAT THE EC AND JAPAN HAD ENTERED AN AGREEMENT ON STEEL THAT (1) RESTRICTED STEEL EXPORTS FROM JAPAN TO THE EC AND (2) RESULTED IN SUBSTANTIAL DIVERSION OF JAPANESE STEEL EXPORTS TO THE UNITED STATES. THIS COMPLAINT WAS FILED WITH THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS (STR) IN OCTOBER 1976. SECTION 301 OF THE TRADE ACT CONFERS A RIGHT TO PETITION THE PRESIDENT THROUGH THE SPECIAL TRADE REPRESENTATIVE FOR THE ELIMINATION OF UNFAIR PRACTICES, OF FOREIGN GOVERNMENTS THAT UNDULY BURDEN U.S. COMMERCE. UNDER THIS AUTHORITY, THE PRESIDENT MAY TAKE ACTION APPROPRIATE TO ACHIEVING REMOVAL OF SUCH UNFAIR PRACTICES.

AMBASSADOR STRAUSS POINTED OUT THAT THE STEEL INDUSTRY HAD RECENTLY SOUGHT RELIEF FROM UNFAIR FOREIGN PRICING PRACTICES THROUGH ANTIDUMPING COMPLAINTS FILED WITH THE TREASURY DEPARTMENT AND THAT TO THE EXTENT RESTRICTIVE BILATERAL AGREEMENTS MAY HAVE AGGRAVATED SUCH PRACTICES IN THE U.S. MARKET, ADEQUATE RELIEF COULD BE OBTAINED UNDER THE ANTIDUMPING LAWS.

IN ANNOUNCING THE DISCONTINUANCE OF THE AISI COMPLAINT, AMBASSADOR STRAUSS INDICATED THAT WHILE IT WAS CLEAR UNCLASSIFIED

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THAT A BILATERAL UNDERSTANDING HAD BEEN REACHED BETWEEN

JAPAN AND THE EC ON STEEL, THE EVIDENCE PRESENTED WAS INSUFFICIENT TO SUBSTANTIATE ANY SIGNIFICANT DIVERSION OF JAPANESE STEEL TO THE U.S. MARKET. HE STRESSED THAT THE U.S. GOVERNMENT CONTINUES TO BELIEVE THAT SUCH INFORMAL BILATERAL UNDERSTANDINGS ARE NOT IN THE INTERESTS OF AN OPEN AND FAIR WORLD TRADING SYSTEM AND SHOULD BE BROUGHT UNDER GREATER INTERNATIONAL DISCIPLINE THROUGH THE INTERNATIONAL SAFEGUARDS CODE NOW BEING NEGOTIATED IN GENEVA. WITH RESPECT TO THE RECENT EC ANNOUNCEMENT THAT FURTHER BILATERAL UNDERSTANDINGS WOULD BE SOUGHT BY THE EC WITH SUPPLIERS OTHER THAN JAPAN, HE EXPRESSED SERIOUS CONCERN THAT THIS APPROACH COULD ENCOURAGE GREATER CARTELIZATION OF THE WORLD STEEL INDUSTRY. (END TEXT). CHRISTOPHER

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